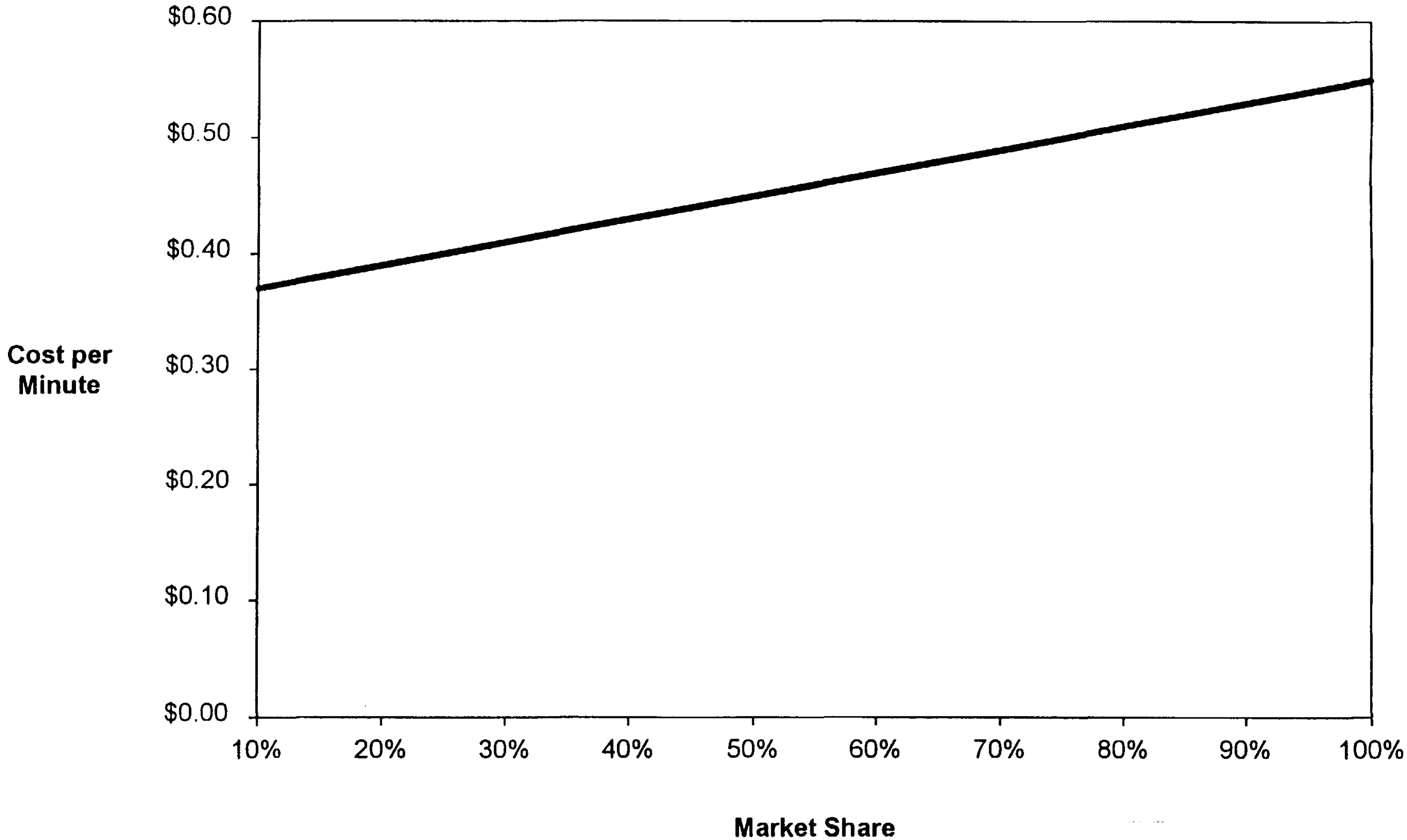
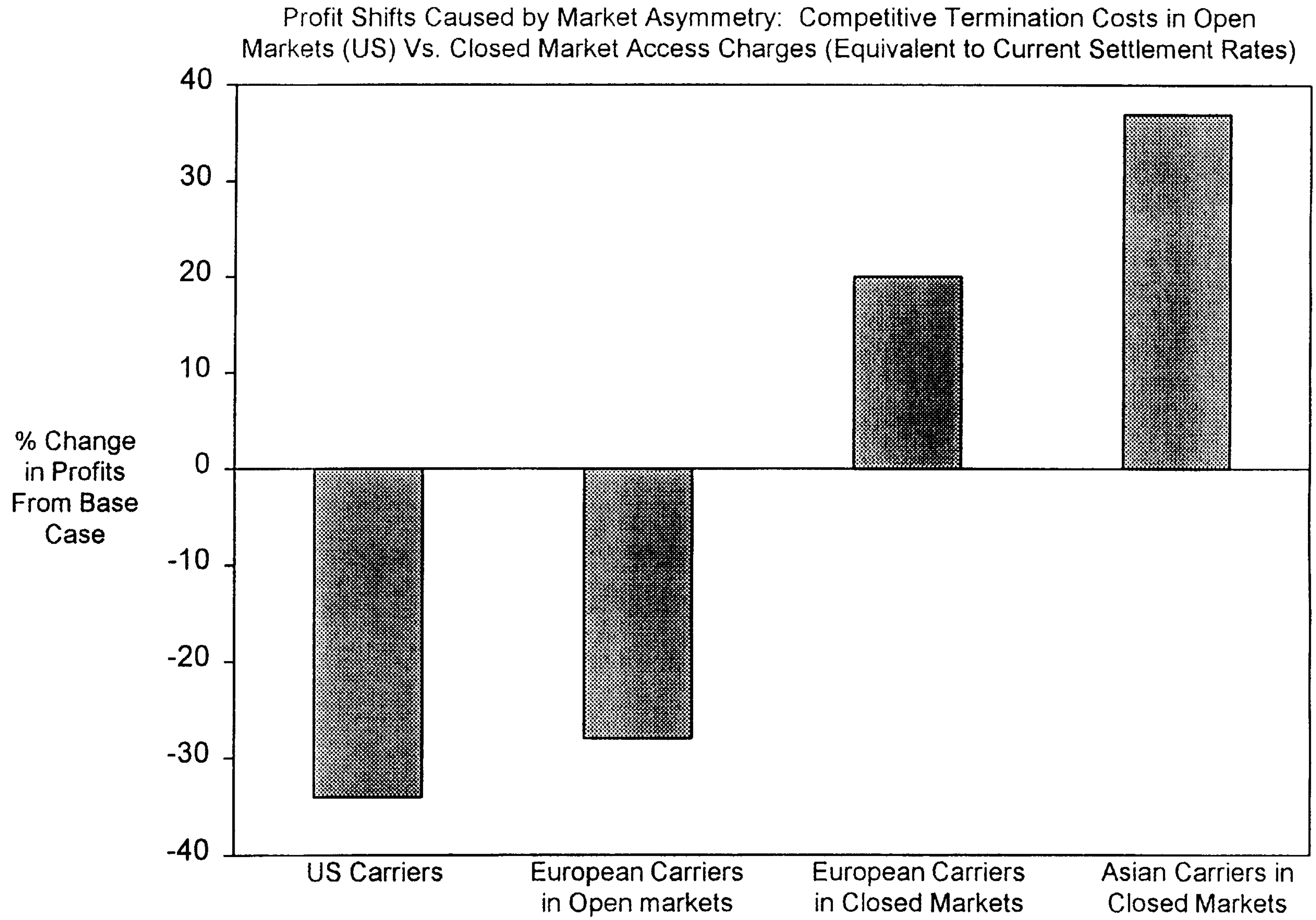
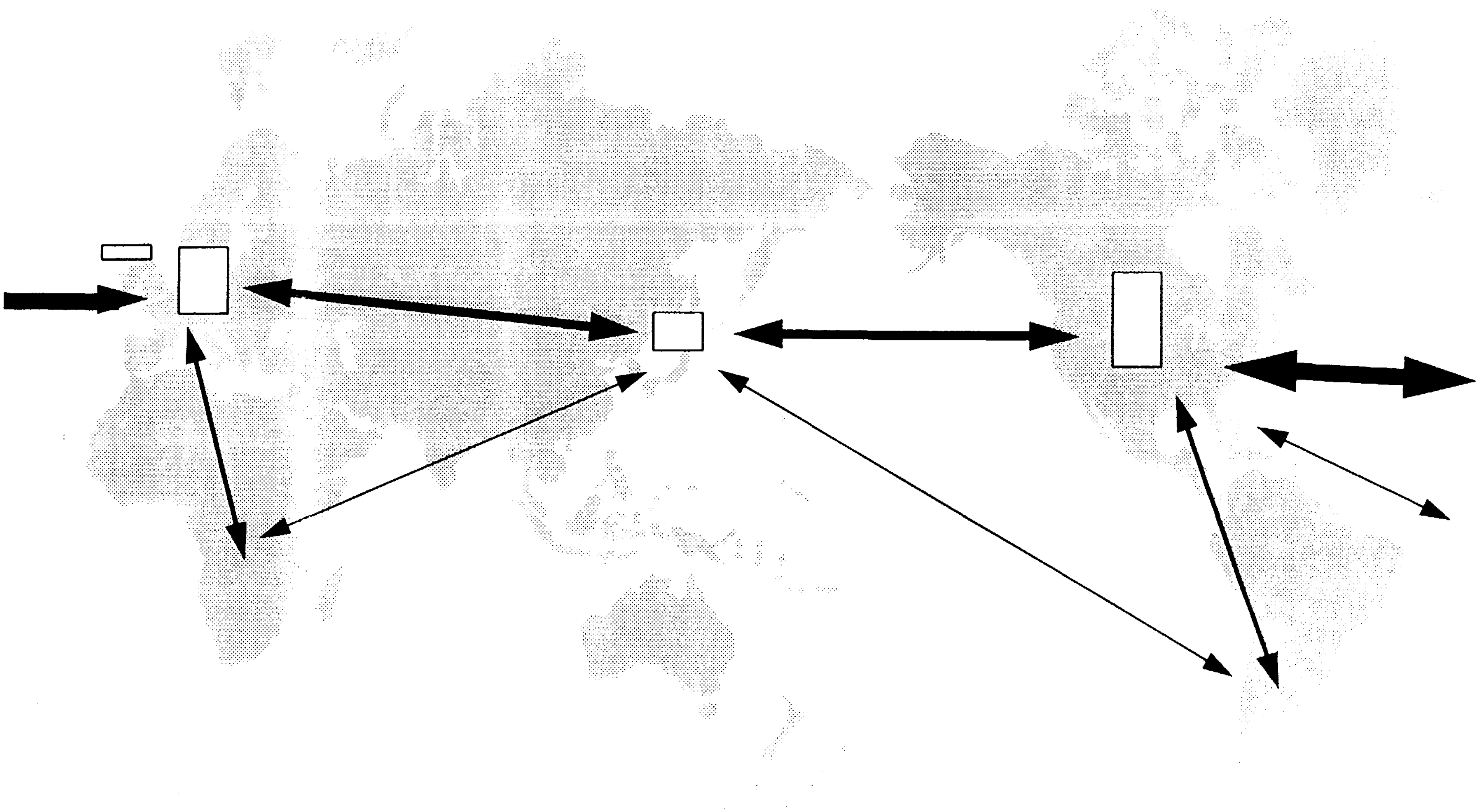
Supplying an Incremental Minute Costs Large Share Carriers More Than Small Share Carriers



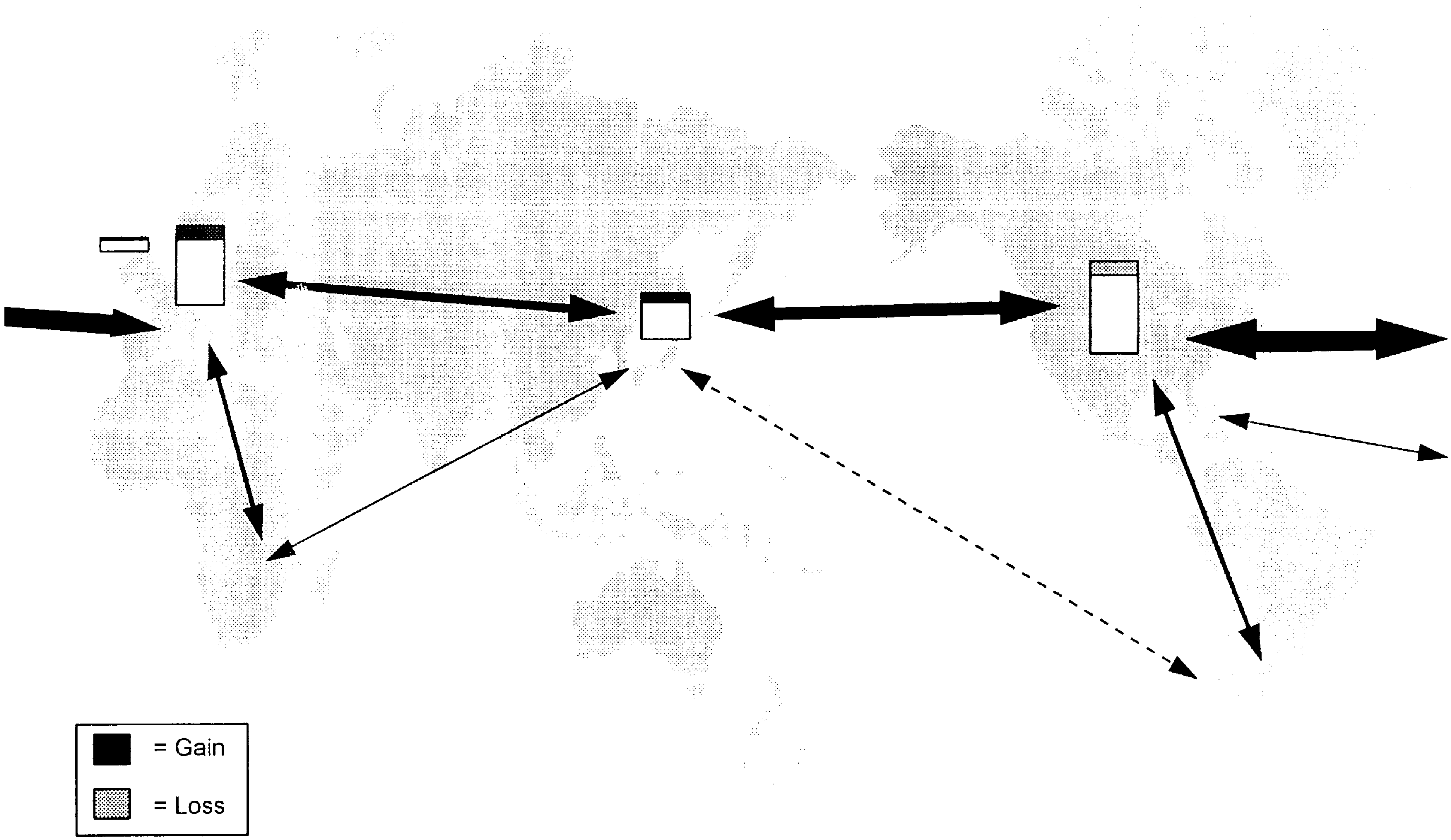
Asymmetric market access will siphon profits from US carriers, eroding our ability to reinvest in our core business



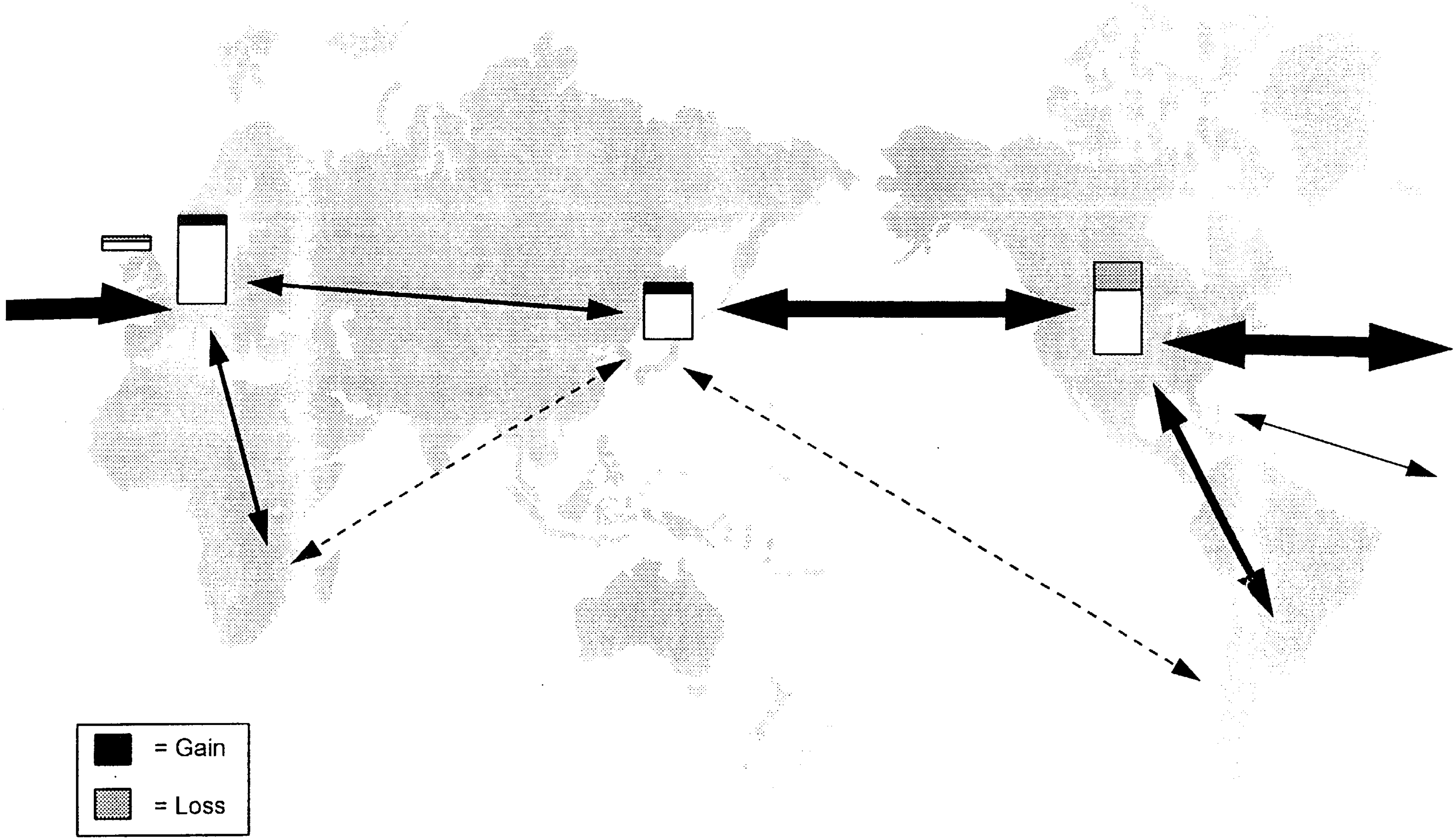
Current Industry Value and Minute Flows



Value Erosion in the U.S. Industry: 1998 with Asymmetrical Access

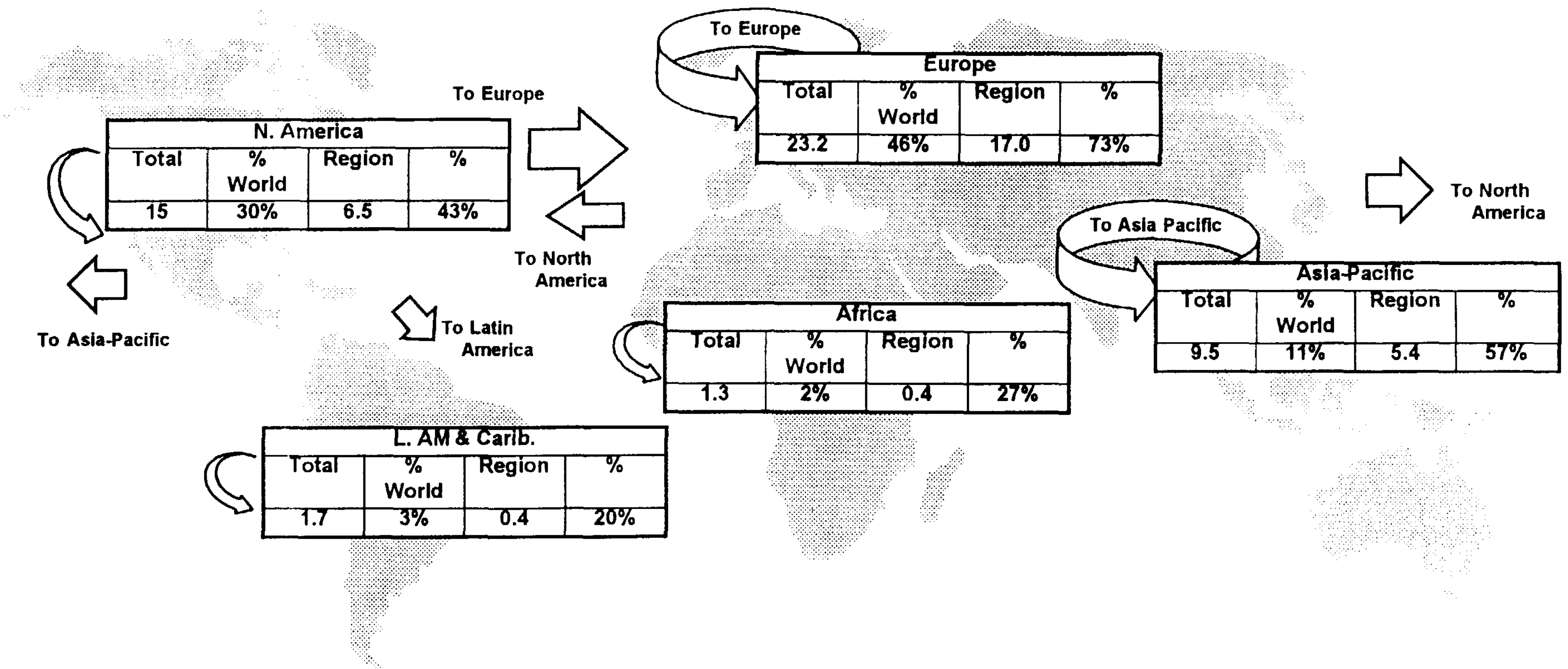


Value Erosion in the U.S. Industry: 2000 with Asymmetrical Access



Originating International Minutes

Billions of minutes, 1994



N. America			
Total	% World	Region	%
15	30%	6.5	43%

Europe			
Total	% World	Region	%
23.2	46%	17.0	73%

Africa			
Total	% World	Region	%
1.3	2%	0.4	27%

Asia-Pacific			
Total	% World	Region	%
9.5	11%	5.4	57%

L. AM & Carib.			
Total	% World	Region	%
1.7	3%	0.4	20%

SOURCE: DOT

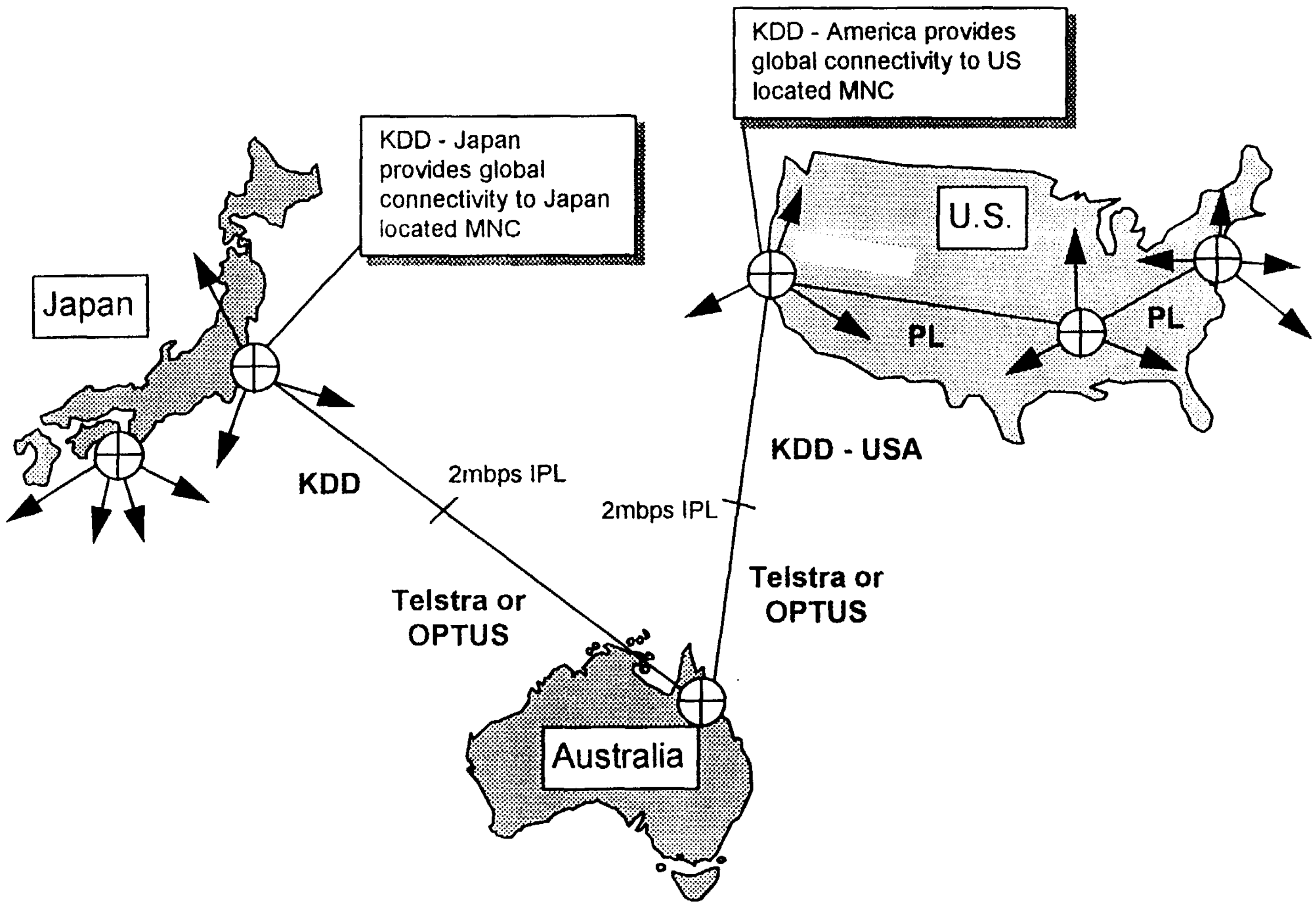
Even if regulatory prohibition against serving the home market created an impediment to the strategic intent of the new entrants, they have many viable means to meet their customer's needs

- Private line service

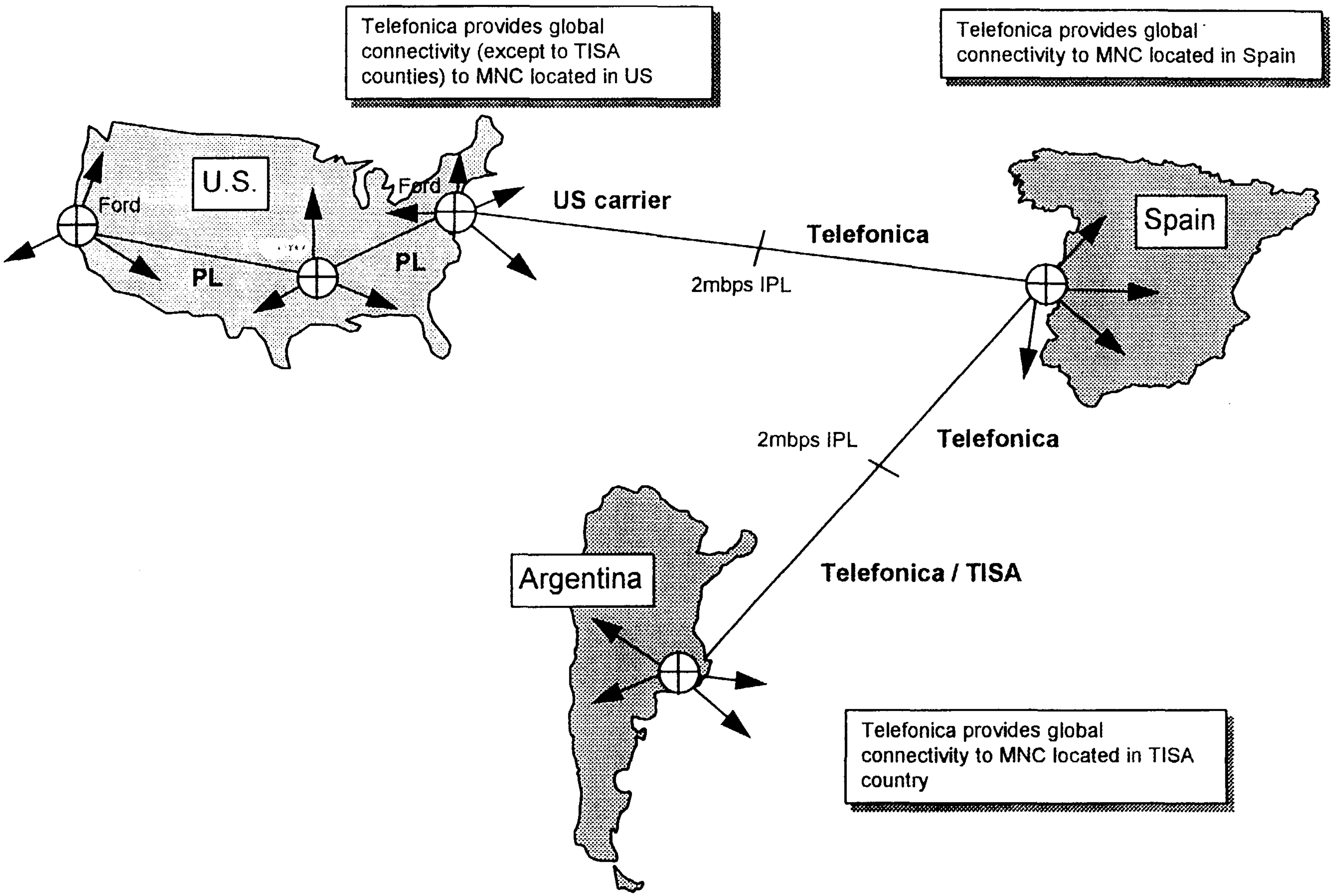
- Partnerships / business affiliations with other carriers

- Refile

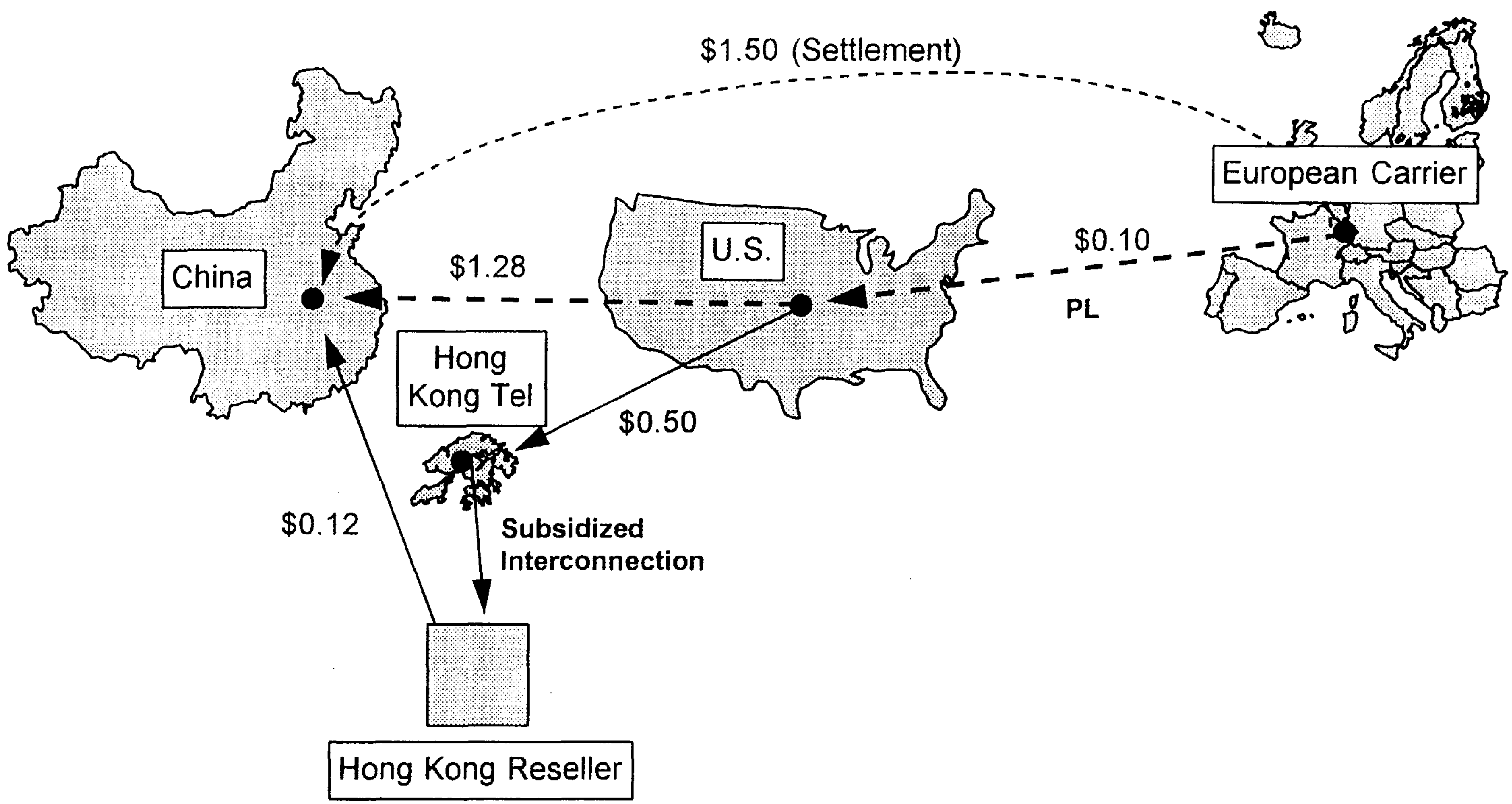
Private Line Provisioning Through Third Country



Home country and subsidiary provisioning through domestic carrier private line and refile to third country



Carriers using refile provisioning can mask traffic routing and enjoy significant economic advantages



Threat of the uneven playing field

Market dynamics are encouraging US carriers to bid down prices to gain return traffic

- RBOC entry into international services will increase the pressure, ultimately leading to cost-based bidding for termination

Foreign carriers will exploit this, while maintaining high cost to terminate in their market

- Even carriers in "open" markets have made limited progress in lowering settlements (e.g., BT, Entel-Chile)

Foreign carriers will thus possess multiple advantages in the US market

- Ability to cross subsidize US based services through monopoly profits in home market
- Ability to meet their MNC needs and US MNC needs more effectively
- Ability to exploit low cost access in the US market

Foreign carriers likely to force US market onto an uneven playing field